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SUBJECT: FUNES ADVISORS SEE PERILS, OPPORTUNITIES AHEAD

Classified By: Charge d'Affaires, for reasons 1.4 (b) and (d)

11. (C) Summary: Three leaders of the former Friends of Mauricio movement, now the Citizen Movement for Change, shared with us October 20 their concerns over the tense relationship between President and the FMLN, ongoing turmoil in ARENA, and the deteriorating public security situation. They believe Funes and the FMLN still need each other, despite diverging long-term aims. All are concerned over the potential benefits for the FMLN from ARENA's internal strife and agreed public security was an ongoing challenge for the Funes Administration. End Summary.

12. (C) Luis Lagos, Gerardo Caceres, and Luis Mendez told us October 20 of their concerns regarding Salvadoran President Funes' relationship with the (left-wing) FMLN, public security, and the ongoing turmoil in (conservative) ARENA. Lagos remains the organizing head of the Citizen Movement for Change, formerly the Friends of Mauricio movement that helped propel Funes to power on the FMLN ticket. Caceres noted that the FMLN miscalculated that it could put Funes at the head of its ticket in 2009 and manage him from behind the scenes after the election. Caceres recalled that Funes made clear in a 2007 address that, as president, he would not be a puppet, would run a social-democrat-style government, and would maintain good relations with the U.S. The FMLN, Caceres said, is working to infiltrate loyal operatives throughout the GOES, though he said there are "many" government officials who remain completely loyal to Funes. The FMLN, he said, carries on an institutional conversation with Funes through Coordinator General (and head of the FMLN's legislative bloc) Medardo Gonzalez, but the FMLN is disingenuous, saying one thing to Funes and doing another in the field.

13. (C) Lagos noted that the Movement for Change maintains the same institutional and geographic structure it built during the campaign, with supporting groups around the country. Caceres said the Movement planned to formalize its legal structure within two months as a non-profit foundation, not as a political party. (Note: Salvadoran law and the composition of the Supreme Electoral Tribunal make it exceedingly difficult to form a new party.) Caceres said the Movement's goals remain the same, though its approach has changed since the transition from campaign to government. Caceres said the FMLN was aware of the Movement's plans to organize itself as a foundation and while he believed the FMLN sees the Movement as a long-term threat, he does not believe the FMLN will be an obstacle in the short-term. Funes still needs FMLN votes in the Assembly and Funes remains key to the FMLN's long-term goal of taking over the country. Caceres did not rule out the possibility that the Movement could ultimately form or join up with an existing party to compete for Assembly seats and more, but discounted the possibility this could happen for the 2012 elections.

14. (C) All three expressed concern over the ongoing turmoil in ARENA, with Mendez suggesting ARENA leadership would have to cave to the demands of dissident legislators loyal to former President Saca, Caceres saying ARENA had to stand

firm, and Lagos suggesting a bloc of moderate ARENA supporters could ultimately form the nucleus of a future center-right government. All three did agree that if ARENA self-destructs, it would strengthen the hand of the FMLN and make President Funes's job more difficult. Caceres speculated that current difficulties in ARENA had put the FMLN on track to secure a majority of seats in the Legislative Assembly in 2012 elections. (Note: Barring a change in existing electoral law, this outcome would require significant gains in the popular vote for the FMLN. El Salvador's system of allocating "leftover" votes to smaller parties makes it exceedingly difficult for one party to garner a majority of seats.) Lagos noted that with the passage of time, fissures in the ranks of the FMLN may appear.

15. (C) Caceres expressed concern over deteriorating public security in El Salvador, arguing that the GOES had to take extraordinary measures to address the problem. He said an unfounded rumor of a gang-imposed curfew that emptied San Salvador's streets and businesses the evening of October 19 could be seen as a reaction by Salvadoran street gangs to the President's proposal to put the Salvadoran Army on the streets to augment the National Civilian Police (PNC). Caceres acknowledged this approach would have risks and could tarnish the public's trust in the Armed Forces, but the alternative of inaction is unacceptable. The PNC, he said, should not be given command authority over the armed forces for public security work. Caceres said the current approach of pursuing low-level criminal operatives or mid-level managers was doomed to fail. Only by identifying and prosecuting senior gang leaders would the GOES make progress.

16. (C) Comment: The views expressed by some of Funes' closest political supporters outside the government is typical of the pragmatic approach they brought to his campaign and that has characterized the Funes Administration thus far. Their counterparts in the GOES are Francisco and Carlos Caceres (both related to Gerardo), Chief of Cabinet Alex Segovia, and Defense Minister David Munguia Payes. They are wary of the FMLN's long-term aims in El Salvador but see the potential power of the centrist Citizen Movement for Change. While Funes and his supporters can directly confront some of the threats he faces, others -- like ARENA's future -- are out of their hands. All of the above argues for our continued support for Funes and his approach to governing El Salvador.

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